



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
FOR: IMMEDIATE RELEASE

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AMERICAN EXPRESS FINANCIAL ADVISORS FINED \$125,000 FOR FAILURE TO SUPERVISE SALESMAN

PHOENIX ... On March 28, 2000, the Arizona Corporation Commission fined American Express Financial Advisors (American Express) \$125,000 for failing to supervise its salesman Walter M. Elze, Jr. who misappropriated \$226,000 from an American Express client's accounts. In a related action, Elze's securities registration was revoked by the Commission and he was fined \$10,000 to cover the Division's investigative costs. In August 1999, Elze was charged with fraudulent schemes, theft and the murder of Shirley Noe by the Maricopa County Attorney's office. Elze is in police custody awaiting trial.

According to the Order, to which American Express consented, Elze was a registered salesman with American Express who worked at the Sun City, Arizona branch office at 10240 West Bell Road.

In August 1997, Elze was assigned by American Express as the securities salesman for the accounts of American Express client, Shirley Noe. As a part of his fraudulent scheme, Elze had the client execute a document which allowed Elze to make exchanges, transfers, redemptions and surrenders from the client's accounts. Elze established a postal address under his control. Elze then changed the mailing address for all of Noe's accounts, having all statements and documents regarding her American Express accounts delivered to the controlled address.

Elze proceeded to withdraw funds from Noe's accounts and had checks delivered to the new address. After checks were received, Elze forged or obtained Noe's signature on them. He then deposited the money into a joint bank account that he established contrary to American Express policy. In connection with his scheme, from approximately September 1997 through July 1999, Elze converted or misappropriated approximately \$226,000 from

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the accounts.

Although American Express had supervisory policies and procedures in place, evidence showed American Express questioned Elze only one time to determine whether any fraudulent activity was being conducted.

In or about April 1998, American Express became aware of two customer complaints concerning Elze's handling of their accounts. No further investigation or review of Elze's remaining accounts was conducted by American Express. On at least two occasions from May through July 1999, correspondence was received at the American Express Sun City branch office from Bank One addressed to American Express's client and Walter Elze. No investigation was conducted by American Express to determine why Elze had a joint bank account with the client. This is a violation of American Express policies and procedures.

The Commission ordered American Express to pay an administrative penalty of \$125,000 and to inspect practices at each of its Arizona offices within 90 days of the entry of the Order. Reports of each inspection will be submitted to the Securities Division of the Commission. In addition, all customer complaints received from Arizona residents will be provided to the Division for a period of two years.

American Express will also implement the following new compliance procedures:

1. The establishment of a full time compliance position (Field Compliance Director) to be located in Arizona and dedicated to its Arizona/Las Vegas market group.
2. The purchase and implementation of "early warning" software designed to detect fraud relating to new accounts, account changes and the handling of mail.
3. The training of field supervisors in the Arizona/Las Vegas market group in compliance and the detection of fraud.

"The Arizona Corporation Commission intends to seriously enforce securities laws to protect the public trust against unscrupulous securities salesmen," stated Arizona Corporation Commission Chairman Carl J. Kunasek. Commissioner Jim Irvin added, "We will insist upon diligent supervision by dealers of their salesmen." Commissioner William Mundell stated that "Arizona will continue to protect investors in this state and wants to send a strong message

to deter those dealers who fail to oversee the conduct of their salesmen.”

“The new compliance procedures and mandated office inspections emphasized American Express’s duty to prevent such fraudulent conduct in the future,” said Mark Sendrow, Director of the Arizona Corporation Commission-Securities Division. To find out more information about brokers and various investment schemes and investor awareness, the public can visit the Division web site at www.ccsd.cc.state.az.us or contact the Securities Division at (602) 542-4242, by facsimile at (602) 594-7470, or by E-mail at accsec@ccsd.cc.state.az.us.

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